

Message Text

SECRET

PAGE 01 BONN 17810 01 OF 03 141218Z

13

ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 SSO-00 EB-03 INR-05 INRE-00 SAJ-01

OES-02 RSC-01 SAM-01 L-01 PRS-01 PM-03 NSC-05 NSCE-00

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 6252

S E C R E T SECTION 01 OF 03 BONN 17810

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, GW, US

SUBJECT: SCHMIDT VISIT TO US: PART I--GENERAL SETTING
AND FRG-US RELATIONS

1. SUMMARY. FOLLOWING IS THE FIRST OF THREE TELEGRAMS WHICH TOGETHER GIVE THE EMBASSY'S VIEWS ON THE MOOD IN WHICH SCHMIDT AND GENSCHER WILL TRAVEL TO US AT BEGINNING OF DECEMBER AND ON THE POLITICAL AND ECONOMIC ISSUES THEY ARE LIKELY TO RAISE OR ON WHICH THEY WILL DESIRE INFORMATION OR SUPPORT FROM THE US SIDE. SCHMIDT'S HEAVY EMPHASIS WILL OBVIOUSLY BE ON THE ECONOMIC/MONETARY AND ENERGY PROBLEMS CURRENTLY CONFRONTING INDUSTRIAL SOCIETIES. HE WILL ALSO FOCUS MOST LIKELY ON EC DEVELOPMENTS, EAST-WEST RELATIONS (INCLUDING BERLIN), DEVELOPMENTS IN THE NUCLEAR FIELD, AND THE PARLOUS STATE OF EUROPE'S SOUTHERN TIER. MOST OF THE ISSUES IN FRG-US BILATERAL FIELDS ARE INSIGNIFICANT IN COMPARISON WITH THE LARGER WORLD-WIDE ONES FACING BOTH OF US. END SUMMARY.

2. SCHMIDT AND GENSCHER WILL BE TRAVELING TO THE US IN EARLY DECEMBER IN A SOMEWHAT GLOOMY MOOD. SCHMIDT'S VIEW OF THE WORLD AND ITS PROBLEMS HAS BECOME PRO-SECRET

SECRET

PAGE 02 BONN 17810 01 OF 03 141218Z

NOUNCEDLY PESSIMISTIC IN THE PAST COUPLE OF YEARS, AND

HAS BEEN ACCENTUATED BY THE CURRENT ECONOMIC/MONETARY CRISES AND THE MASSIVE ENERGY PRICE PROBLEM CONFRONTING BOTH INDUSTRIALIZED AND LESS DEVELOPED SOCIETIES. HE HAS NO READY RECIPES OF HIS OWN FOR SOLVING THESE IMMENSE PROBLEMS AND SEEMS NOT ENCOURAGED BY THE FEW INTERNATIONAL INITIATIVES IN THE OFFING. HE WILL PRESS IN WASHINGTON FOR A CLEAR AND FIRM SENSE OF US LEADERSHIP IN THESE VITAL AREAS.

3. SCHMIDT AND GENSCHER HAVE SEEN THESE PROBLEMS AFFECT, NEGATIVELY, THEIR POLITICAL STANDING IN THE FRG. THEIR RESPECTIVE PARTIES, THE SPD AND FDP LOST BADLY IN THE HESSE AND BAVARIA LAND ELECTIONS LAST MONTH. DESPITE THE FEDERAL GOVERNMENT'S RELATIVELY SUCCESSFUL ECONOMIC AND MONETARY POLICIES (THE FRG INFLATION RATE OF 7 TO 8 PER CENT IS LOWEST OF ANY MAJOR WESTERN COUNTRY), THE FRG POPULATION IS UNEASY AND ITS UNEASINESS HAS BEEN MAGNIFIED BY THE INCREASE IN UNEMPLOYMENT LAST MONTH TO OVER 600,000 (3 PER CENT) AND REPORTS THAT IT WILL RISE TO A MILLION THIS WINTER. SCHMIDT AND GENSCHER CAN LOOK FORWARD TO NO PROMISING PERSPECTIVES AND BOTH MUST NOW SERIOUSLY CONTEMPLATE THE POSSIBILITY OF THE CDU/CSU WINNING A MAJORITY IN THE 1976 FEDERAL ELECTIONS. THE TWO LEADERS KNOW THEY NEED SOME SUCCESSES IN COMING MONTHS, BUT ALSO KNOW THAT THESE ARE APT TO BE HARD TO FIND. SCHMIDT AND GENSCHER ARE UNDER EXTREME PRESSURE TO STOP INFLATION, LOWER PRICES, AND REDUCE UNEMPLOYMENT AT A TIME WHEN THEIR OWN INITIATIVES CANNOT, BY THEMSELVES, ACCOMPLISH THEIR OBJECTIVES. FURTHER, THE GENERAL ATMOSPHERE OF UNEASINESS IN THE COUNTRY IS AGAINST THEM. THEY ARE NOT COMING TO THE US WITH A SOLID BASIS OF STRENGTH BEHIND THEM.

4. ONE FURTHER FACTOR AFFECTING THE TWO, AND OF IMPORTANCE TO US POLICY-MAKERS WHO WILL BE DEALING WITH THEM, IS THAT SCHMIDT IS NOT GETTING ALONG AT ALL WELL WITH GENSCHER, THE LEADER OF THE SMALL COALITION PARTNER. SOME STRAIN IN THEIR RELATIONS WAS PREDICTABLE GIVEN THE DIFFERENCE IN THEIR TEMPERAMENT AND

SECRET

SECRET

PAGE 03 BONN 17810 01 OF 03 141218Z

PERSONALITIES (SEE BONN 17624 AND BONN 14819 FOR FURTHER DESCRIPTION OF THIS PROBLEM). HOWEVER, THE

SECRET

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SECRET

PAGE 01 BONN 17810 02 OF 03 141228Z

13

ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 SSO-00 EB-03 INR-05 INRE-00 SAJ-01

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TO SECSTATE WASHDC IMMEDIATE 6253

S E C R E T SECTION 02 OF 03 BONN 17810

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LAST TWO MONTHS HAVE SEEN THE RIFT GROW, LARGELY BECAUSE SCHMIDT HAS SIMPLY BULLED HIS WAY, BY FORCE OF CHARACTER AND INTELLECT, INTO THE DOMINANT DOMESTIC AND, ALAS FOR GENSCHER, FOREIGN POLICY ROLES IN THE FRG. THIS HAS SHAKEN AND DEPRESSED GENSCHER, WHOSE EFFORTS TO CREATE A PROFILE OF HIS OWN HAVE SO FAR BEEN TO NO AVAIL. THERE WILL UNDOUBTEDLY BE STRAINED MOMENTS IN WASHINGTON AS GENSCHER TRIES TO KEEP UP WITH SCHMIDT, BOTH IN SUBSTANTIVE AND PROTOCOLARY AREAS.

5. AS TO FRG-US RELATIONS GENERALLY, THERE ARE NO BURNING ISSUES. FOLLOWING ARE THOSE PROBLEMS OR TOPICS OF BILATERAL SIGNIFICANCE WHICH WE EXPECT SCHMIDT OR GENSCHER TO RAISE:

A. SCHMIDT WILL BE LOOKING FOR US VIEWS ON WAYS TO DEAL EFFECTIVELY WITH THE COMBINED PROBLEMS OF INFLATION AND RECESSION, THE PETRODOLLAR RECYCLING PROBLEM, THE ENERGY POLICY ISSUES OF CONSERVATION AND PRODUCER-CONSUMER RELATIONS, AND WORLD FOOD PROBLEMS. HE MAY ALSO EXPRESS INTEREST IN THE PROSPECT FOR PASSAGE OF THE US TRADE BILL. THESE ARE ALL AREAS IN WHICH HE HAS A KEEN INTEREST, NOT LEAST BECAUSE THEY HAVE A SIGNIFICANT POTENTIAL INFLUENCE ON THE FRG'S

SECRET

SECRET

PAGE 02 BONN 17810 02 OF 03 141228Z

FUTURE ECONOMIC POSITION IN THE WORLD AND HIS OWN
POLITICAL FUTURE.

B. SCHMIDT SEEMS SATISFIED WITH OUR DEFENSE/SECURITY RELATIONSHIP, IF HIS RECENT TALKS WITH SECRETARY SCHLESINGER ARE ANYTHING TO GO BY. HE MAY WISH TO HEAR FURTHER ABOUT US FORCE STRUCTURE CHANGES IN TACTICAL NUCLEAR DEPLOYMENT THERE. WE HAD SOME DISAGREEMENT WITH THE FRG OVER PORTUGAL'S PARTICIPATION IN THE NPG BUT THIS SEEMS TO HAVE BEEN SETTLED TO BOTH SIDES' SATISFACTION, AT LEAST FOR THE TIME BEING. THE SPD MAY PROVE HELPFUL IN ASSISTING PORTUGAL'S SOCIAL DEMOCRATS AND IN OFFSETTING THE COMMUNIST THREAT.

C. SCHMIDT WILL LIKELY RAISE IN WASHINGTON THE ISSUE OF THE SOVIET-FRG NUCLEAR REACTOR WHICH, IF PLANS PAN OUT, WOULD PROVIDE ENERGY TO THE FRG VIA WEST BERLIN. OUR INSISTENCE THAT THE SOVIETS ACCEPT IAEA SAFEGUARDS, IF MAINTAINED, COULD BLOCK MOVEMENT BETWEEN BONN AND MOSCOW. SINCE THE SOVIETS STILL HAVE TO CONSULT EAST GERMANY ON THE MATTER, THE TIME PRESSURE MAY NOT BE AS SEVERE AS THE FRG HAD EARLIER IMPLIED. SCHMIDT WILL PROBABLY LAY HEAVY EMPHASIS ON THE POLITICAL BENEFITS TO WEST BERLIN WHICH (IN HIS VIEW) OUTWEIGH THE DISADVANTAGE OF THE SOVIETS' NOT ACCEPTING SAFEGUARDS. THIS IS A HOT DOMESTIC POLITICAL ISSUE FOR SCHMIDT, WHAT WITH THE BERLIN LAND ELECTIONS COMING UP NEXT MARCH AND HIS NEED TO SHOW THAT HE IS ABLE TO ACHIEVE SOME CONCRETE SUCCESS IN OSTPOLITIK.

D. SCHMIDT MAY BE INTERESTED IN OUR VIEWS ON INDUSTRIAL CO-DETERMINATION AND WHETHER THE DRAFT LAW ON THIS SUBJECT REALLY AFFECTS US INVESTORS' RIGHTS IN THE FRG UNDER THE 1954 TREATY. THIS, TOO, IS A LOADED TOPIC DOMESTICALLY FOR THE SPD, WHICH IS COMMITTED TO SOME FORM OF SUCH A REFORM.

E. SCHMIDT MAY SEEK US SUPPORT TO APPLY PRESSURE TO ITALY ON THE MATTER OF RATIFICATION OF NPT AND THE SAFEGUARDS AGREEMENTS, SINCE THIS TOO IS CREATING PROBLEMS FOR THE FEDERAL GOVERNMENT IN THE BUNDESTAG.

SECRET

SECRET

PAGE 03 BONN 17810 02 OF 03 141228Z

THE FRG IS UNABLE TO DEPOSIT ITS INSTRUMENTS UNTIL ITALY DOES SO. GIVEN THE FRG CONCERN ABOUT THE CONTROL ON THE EXPORT OF NUCLEAR TECHNOLOGY, SCHMIDT WILL PROBABLY WANT TO DISCUSS THE RECENT US INITIATIVE TO CONVENE A CONFERENCE OF TECHNOLOGY SUPPLIERS. HE WILL

PROBABLY BE SYMPATHETIC TO THE US POSITION.

F. HE (OR GENSCHER) WILL PROBABLY ALSO HIT HARD ON GERMAN CONCERNS IN THE CSCE CONTEXT AND ASK FOR US ASSISTANCE IN HOLDING A FIRM LINE ON "PEACEFUL CHANGE" AND FOUR-POWER RIGHTS. THIS IS A PRICKLY ISSUE IN THE FRG, WHERE THE CSCE IS SEEN AS POTENTIALLY AFFECTING GERMAN VIEWS ON REUNIFICATION. THE GERMANS OFTEN SEEM THEOLOGICAL IN THEIR APPROACH TO THIS TOPIC, BUT THEY REGARD IT AS IMPORTANT.

G. SCHMIDT (OR GENSCHER) WILL PROBABLY ENQUIRE ABOUT THE STATE OF US-CUBAN RELATIONS. THE FEDERAL GOVERNMENT IS UNDER SOME PRESSURE IN THE BUNDESTAG TO

SECRET

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PAGE 01 BONN 17810 03 OF 03 141224Z

11

ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 SSO-00 EB-03 INR-05 INRE-00 SAJ-01

OES-02 RSC-01 SAM-01 L-01 PRS-01 PM-03 NSC-05 NSCE-00

/046 W

----- 104900

O 141204Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 6254

S E C R E T SECTION 03 OF 03 BONN 17810

LIMDIS

REGULARIZE RELATIONS WITH HAVANA BUT DOES NOT WANT TO GET AHEAD OF WASHINGTON. THE GERMANS ARE PREPARED TO COORDINATE CLOSELY BUT THEY WILL ALSO WANT TO KNOW FAIRLY PRECISELY JUST HOW THINGS ARE DEVELOPING BETWEEN US AND CUBA.

H. US-GDR RELATIONS. WE UNDERSTAND THAT GENSCHER OR ONE OF HIS SENIOR AIDES MAY ALSO RAISE THE MATTER OF

THE US POSITION FOR THE NEGOTIATIONS OF A CONSULAR AGREEMENT WITH THE GDR. DEPT WILL RECALL FRG SENSITIVITY ON THIS PROBLEM, INASMUCH AS IT BRINGS UP ALL THE DIFFICULTIES OF DEFINING GERMAN CITIZENSHIP. UK HAS RUN INTO PROBLEMS WITH THE FRG IN THE NEGOTIATION OF A UK-GDR CONSULAR AGREEMENT.

6. IN BRIEF, MOST OF THE ISSUES IN FRG-US BILATERAL FIELDS ARE INSIGNIFICANT IN COMPARISON WITH THE LARGER WORLD-WIDE ONES FACING BOTH OF US. IT WILL BE ON THE LATTER THAT SCHMSDT WILL FOCUS, WITH GENSCHER CARING FOR THE MORE MINOR, THOUGH STILL IMPORTANT ONES. AT LEAST THIS HAS BEEN THE DIVISION OF LABOR IN OTHER HIGH-LEVEL VISITS THEY HAVE MADE TOGETHER RECENTLY. HILLENBRAND

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUMMIT MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 NOV 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN17810
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740328-0837
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741145/aaaablnk.tel
Line Count: 291
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAR 2002 by worrelsw>; APPROVED <24 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SCHMIDT VISIT TO US: PART I--GENERAL SETTING AND FRG-US RELATIONS
TAGS: PFOR, GE, US, (SCHMIDT)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005